

# IRS Fact Sheet

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## IRS Details 2004 Free File Initiative

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At least 60 percent of the nation's 130 million taxpayers will be eligible for free online tax preparation and free electronic filing through a partnership between the Internal Revenue Service and the Free File Alliance, a consortium of participating tax software companies.

Generally, eligibility will be based on income levels, age and/or state residency. Each Free File Alliance member will set taxpayer eligibility requirements for its program. However, the IRS requires the Alliance, as a whole, to provide free services to at least 60 percent of the nation's taxpayers.

The agency will provide a list of participating tax software companies on its Free File web site that meet the IRS's high standards for security and privacy. The IRS does not endorse any Free File Alliance company or product. The IRS also will manage the content of the Free File pages accessible at [www.irs.gov](http://www.irs.gov).

The preparation and filing services are provided to eligible taxpayers at no charge. The IRS does not endorse any Free File Alliance company or product. Taxpayers are under no obligation to purchase any products such as advance refund loans. Taxpayers generally will receive their refund in half the time than filing on paper – even faster with direct deposit. Refunds from mailed paper returns can take up to six weeks.

### HOW DOES IT WORK?

Taxpayers can follow a few simple steps to determine if they are eligible for free services offered by the Alliance members. Using the online software, individuals can prepare their tax return and file it electronically without charge.

#### STEP 1: LOCATING FREE SERVICES

Taxpayers can locate these free services through [www.irs.gov](http://www.irs.gov). At the IRS.gov homepage, taxpayers can link to the Free File homepage. The Free File homepage lists the Free File Alliance members and their offerings.

#### STEP 2: DETERMINING ELIGIBILITY

At the Free File web site, each company has a simple description of their eligibility criteria for using their free service. Taxpayers may also find additional company information by accessing the "more details" link for each respective company. Alternatively, taxpayers may want to use the interactive help tool, "Guide me to a Service" to narrow down the possible

companies offering free preparation and e-file services. Each Alliance member can have a different eligibility requirement based on income levels, age and/or state residency.

### **STEP 3: LINKING TO FREE SERVICES**

After taxpayers match their situations with a company's eligibility requirements, they can link directly to the Free File Alliance member's Web site. Taxpayers will leave the IRS.gov Web site and enter the Alliance member's Web site. These free services are available only through the Internet.

### **STEP 4: PREPARING AND FILING TAX RETURN**

At the Alliance member's Web site, taxpayers can prepare their tax returns using the member's online proprietary software. Taxpayers can file either the Form 1040, Form 1040-A or Form 1040-EZ. Completed tax returns will be sent electronically from the Alliance member to the IRS using the existing IRS e-file system. The Free File Alliance members must comply with all federal laws protecting taxpayer information.

### **WHAT ARE THE BENEFITS?**

The intent of IRS Free File is to reduce the burden on individual taxpayers, make tax preparation easier and expand the benefits of electronic filing to a majority of Americans. Among the benefits of these Free File services:

- Reduced tax return preparation time,
- Faster refunds,
- Improved accuracy,
- Acknowledgement the IRS received the return.

Alliance members' proprietary software will assist taxpayers in completing their returns and help ensure taxpayers are aware of tax credits and deductions for which they may be eligible. The tax preparation software has been tested for accuracy by the IRS. Accurate online preparation and filing vastly reduces errors. Common mistakes, such as math errors or transposing Social Security numbers, can require the IRS to delay refunds while resolving the problem.

Also, IRS's electronic filing program has been in existence since 1986. When taxpayers choose IRS e-file they generally will receive their refund in half the time than filing on paper – even faster with direct deposit. Refunds from mailed paper returns can take up to six weeks. In 2003, 53 million returns were filed electronically through IRS e-file. IRS e-file consistently garners praise from taxpayers and tax professionals who use the service.

### **FREE FILE ALLIANCE MEMBERSHIP**

On October 30, 2002, the IRS and the Free File Alliance, LLC, signed an agreement that created a public-private partnership to provide free services to the majority of taxpayers. The agreement stemmed from an e-government initiative by the Bush Administration. The IRS will not provide free tax preparation or filing to taxpayers during the term of the agreement. The agreement is for three years with a series of two-year renewal options.

The IRS does not select Free File Alliance members, but members must meet certain IRS standards. The Alliance membership may change periodically. The IRS must approve the Free File Alliance members' proprietary tax preparation software. Each Alliance member must obtain third-party privacy and security certification. And, Alliance members must adhere to all federal laws regarding taxpayer privacy. Each Alliance member determines its own eligibility requirements for its free services. The Alliance will be managed by the Council for the Electronic Revenue Communication Advancement.